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Sugar Annual

2010

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Report Highlights:
In MY 2009/10, the EU harvested a record sugar beet crop, with the third record yield in a row, as a result of near ideal growing conditions. Due to large internal supplies, reduced world supplies and high world market prices, the EU exported an additional 0.5 million MT beyond its WTO export ceiling. Despite high world market prices, EU sugar imports in MY 2009/10 increased as a result of EBA and EPA agreements and further increases are forecast in MY 2010/11 when prices stabilize and as new free trade agreements with Columbia and Peru come into force. Despite high exports, EU sugar processors are expected to 'carry-over' 0.5 million MT of sugar into the MY 2010/11, thus lowering the amount of sugar from the 2010 crop that can count towards the MY2010/11 sugar production quota.

Executive Summary:

Early forecasts for EU sugar production in the EU-27 in MY 2010/11 suggest a decrease of some 2.8 million MT of raw sugar equivalent (RSE) or more than 15 percent compared to MY 2009/10. This is because about 0.5 million MT of sugar from MY2009/10 is expected to be carried over to MY2010/11, which will reduce the MY2010/11 sugar production quota. Beet sugar production in MY 2009/10 exceeded all previous yield records in all major EU producing member states, leading to large over-quota supplies. As a result, commercial stocks at processor level are also expected to increase.

Imports of sugar are expected to end higher in MY 2009/10 as a result of the implementation of the EBA and EPA agreements in spite of high world market prices. In MY 2010/11, imports are forecast to further increase especially if world market prices decrease again and as new import quota open as a consequence of new Free Trade Agreements (FTA's) signed with Columbia and Peru in 2010. MY2009/10 exports of EU sugar will exceed the EU's WTO export ceiling for sugar as a result of an additional export quota for out-of-quota sugar taking advantage of high world market prices for sugar in early 2010.

Commodities:

Sugar, Centrifugal

Production:

EU estimates expect that total EU sugar beet production in marketing year (MY) 2009/10 may reach 19.3-19.6 million MT raw sugar equivalents (RSE). This results from near ideal year-long growing conditions throughout the major beet production area in Western Europe and the third year in a row record yield levels were achieved. As a result, out-of-quota production in MY 2009/10 will likely amount to 5 million MT RSE. This includes sugar beet production destined for bio-ethanol production and industrial use, as well as out-of-quota sugar processing for exports. Bio-ethanol production from sugar beet in MY 2009/10 is only marginally increasing compared to MY 2008/09 because the combination of high world sugar prices and low EU cereal prices made cereals a more economic feedstock for fermentation than sugar beet.

For MY 2009/10, EU beet sugar production is finishing 1.2 million MT higher than the previous report [1] 's record estimate. As a consequence of the large out-of-quota production, some 0.5 million MT of excessive out-of-quota sugar is expected to be carry-over sugar into the MY 2010/11 sugar production quota, inducing a 5 percent decrease in sugar beet area. Contrary to past pre-sugar reform years, carry-over of sugar stocks to MY 2010/11 are bound at the sugar processor level and are not imposed at EU Member State level.

Early planting indications for 2010 suggest that total EU sugar beet production for MY2010/11 may result in a 15 percent reduction in EU production (in RSE), even if it is unclear how bio-ethanol production from sugar beet will evolve after a difficult MY 2009/10.

Sugar quota as a result of the EU sugar reform [2]

EU sugar production quota in MT			
Member States	MY 2007/08	MY 2008/09	MY 2009/10
Belgium	882301,0	676235,0	676235,0
Bulgaria	4752,0	0	0
Czech	372459,3	372459,3	372459,3
Denmark	452466,0	372383,0	372383,0
Germany	3655456,0	2898255,7	2898255,7
Ireland	0	0	0
Greece	158702,0	158702,0	158702,0
Spain	887164,0	630586,2	498480,2
France	3640442,0	2956786,7	2956786,7
French overseas	480244,5	480244,5	480244,5
Italy	753846,0	508379,0	508379,0
Latvia	0	0	0
Lithuania	111010,0	90252,0	90252,0
Hungary	298591,0	105420,0	105420,0
Netherlands	931435,0	804888,0	804888,0
Austria	405812,0	351027,4	351027,4
Poland	1772477,0	1405608,1	1405608,1
Portugal	15000,0	0	0
Azores	9953,0	9953,0	9953,0
Romania	109164,0	104688,8	104688,8
Slovenia	0	0	0
Slovakia	145904,0	112319,5	112319,5
Finland	90000,0	80999,0	80999,0
Sweden	343422,0	293186,0	293186,0
UK	1221474,0	1056474,0	1056474,0
TOTAL	16742073,0	13468847,2	13336741,2

EU sugar beet production												
	Area, thousands of Hectares				Sugar beet yield in MT per Hectare				Sugar content in percentage			
	07/08	08/09	09/10	10/11	07/08	08/09	09/10	10/11	07/08	08/09	09/10	10/11
Austria	42.3	43.0	43.9	44.0	62.1	71.8	70.6	71.0	16.60	16.96	16.30	17.00
Belgium	82.7	64.0	63.8	60.0	68.3	68.6	77.1	70.0	17.00	17.82	18.40	17.50
Denmark	39.4	36.2	38.5	38.0	57.2	60.0	54.5	55.0	17.80	17.80	19.60	18.00
Finland	16.0	13.6	14.8	14.0	41.9	34.6	37.7	38.0	16.80	16.48	17.20	16.50
France	393.5	349.0	370.0	360.0	83.7	86.8	89.6	85.0	18.10	18.70	19.50	18.50
Germany	391.5	363.8	379.6	385.0	64.2	63.2	71.5	68.0	17.46	18.04	18.15	18.00
Greece	13.6	13.8	24.0	23.4	56.7	64.5	66.2	66.0	13.40	14.00	14.00	14.00
Italy	85.6	61.2	60.6	60.5	59.0	62.9	59.0	60.0	16.60	15.48	15.95	16.00
Netherlands	82.1	72.2	73.0	70.0	66.6	71.6	73.0		17.40	17.21	17.70	17.20
Portugal	1.6	0.3	0.2	0.2	76.7	40.8	40.9	40.9	16.34	13.45	14.39	14.40

Spain	55.4	50.7	47.7	47.0	79.1	80.8	78.2	79.8	17.56	17.86	17.35	17.40
Sweden	40.8	36.8	39.4	40.0	52.5	53.5	53.4	53.0	17.70	17.40	18.30	17.50
U.K.	125.1	119.8	119.3	120.0	53.8	63.8	69.9	60.0	17.96	17.65	18.00	17.50
Czech R.	54.3	51.0	53.7	50.0	54.7	57.2	52.3		17.10	18.04	16.85	0.00
Hungary	41.2	9.6	13.3	13.0	41.0	59.6	52.9		15.90	17.14		
Lithuania	16.9	8.7	15.1	15.0	47.4	39.0	45.1	45.0	17.50	18.13	17.50	17.50
Poland	247.4	187.5	200.0	190.0	46.6	46.5	46.9	46.6	17.10	17.20	17.10	17.10
Slovak R.	18.9	11.0	15.0	16.0	47.5	61.0	46.6		16.20	17.21	17.00	16.50
Romania	28.7	20.4	18.3	18.0	26.0	34.6	31.9	32.5	15.10	16.50		
Total EU-15	1369.6	1224.4	1274.8	1262.1	65.0	67.5			17.60			
Total NMS	407.4	288.2	315.4	302.0								
Total EU-27	**1777.0**	**1512.6**	**1590.2**	**1564.1**	**60.9**	**63.8**	**64.7**		**17.50**	**17.70**	**18.50**	

Note: Beet sugar production numbers in this table include sugar beet production for bio-ethanol or other industrial fermentation purposes. However, only production of solid sugar is provided in the PSD statistical table.

Source: EU FAS posts

[1] http://gain.fas.usda.gov/Recent%20GAIN%20Publications/EU-27%20SUGAR%20SEMI-ANNUAL_Brussels%20USEU_Belgium%20EU-27_11-20-2009.pdf

[2] Because the EU sugar market organization limits sugar for human consumption to sugar produced within quota, out-of-quota sugar beet can only be used for fermentation and other industrial uses, as well as for sugar production for exports or carry-over into the production quota of the following year. Because sugar production quota are handed to processors at EU member state level, in-quota sugar production in member states can remain below the quota despite large over-quota supplies.

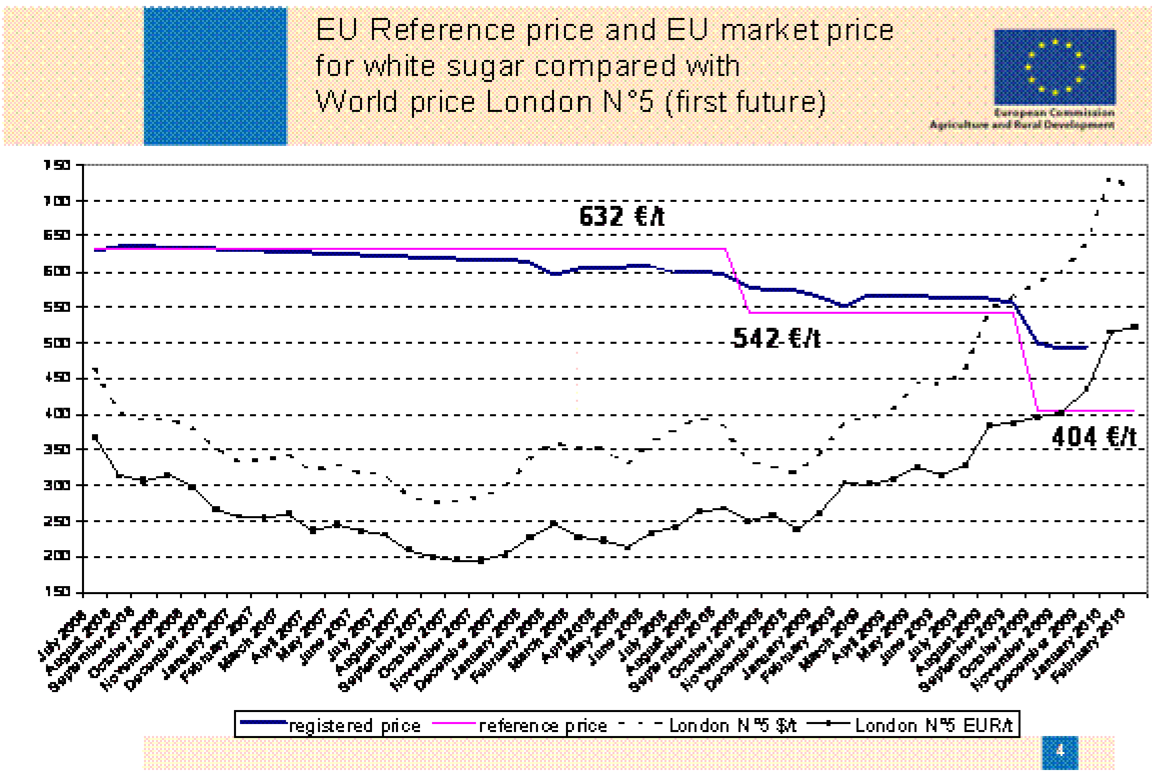
Consumption: The EU domestic consumption is rather stable around 16.8 million MT RSE. The majority of this sugar is used in the food processing industry. However, this number includes EU exports of sugar containing food and drink products.

Trade:

Imports

EU sugar imports for MY 2009/10 are expected to end 10 percent higher than MY2008/09 imports as a consequence of the signing of new Economic Partnership agreements (EPA) with ACP countries and the implementation of the Everything But Arms (EBA) agreement, which allows duty free access to EU markets for Least-developed countries (LDCs). This is despite sluggish imports at the beginning of the MY 2009/10 when world market prices for sugar exceeded EU internal guaranteed sugar prices. Since then, world market prices have decreased, while the Euro exchange rate also dropped as a result of the ongoing EU financial crisis. High world market prices and EU import duties make it difficult for full-time refiners who need year-round supply. However, the European Commission has refused to meet refiners' demands for the abolishment of import duties because of the EU domestic supply situation. It is also expected that MY 2009/10 duty-free sugar imports for inward processing purposes will decrease as a result of the high world sugar price situation. EU sugar imports for inward processing in MY2008/09 were around 300,000 MT RSE compared to 213,000 MT in MY 2007/08. For MY 2010/11, EU sugar imports are expected to further increase as agreements like EBA and

EPA's are fully implemented, especially if sugar prices on the world market decrease again in comparison with EU reference prices. Also, new [Free Trade Agreements (FTA) with Columbia and Peru](#) [1] include new import quotas, of 62,000 MT and 22,000 MT of sugar respectively, with 3 percent increases every following year.



Note: The registered price is the actual paid price on the EU domestic market

Source: European Commission

EU sugar reference prices and renounced quotas under the EU sugar reform

	Pre-reform	**2006/07 (july-sept)**	**2007/08 (oct-sept)**	**2008/09 (oct-sept)**	**2009/10 (oct-sept)**
Reference Price for white sugar (€/MT)	632	505	458	428	404
Reference Price raw sugar (€/MT)	524	497	497	449	335
Restructuring Aid (€/MT of renounced quota)	730	730	625	520	-
Quota renounced (Cumulative) (MT)	-	1,469,612.5	2,178,379.6	5,718,327	5,850,433
Production of sugar and isoglucose (Yearly) (MT)	-	17,658,000	14,913,000	13,468847,2	13,336,741,2
Data collected from DG Agriculture					

Average price for white sugar within the Community

Ex-work prices for homogeneous granulated crystal, standard quality, in bulk or big bags

Prices communicated by EU sugar producers and refiners

	SELLING PRICES			
	sugar		industrial sugar (1)	
	average (2)	standard dev (3)	average (2)	standard dev (3)
July 2006	630	20	284	31
August 2006	634	22	288	30
September 2006	636	21	287	37
October 2006	632	17	286	43
November 2006	633	17	294	88
December 2006	632	17	294	98
January 2007	629	18	284	58
February 2007	629	18	288	68
March 2007	628	18	283	78
April 2007	627	19	298	81
May 2007	625	20	293	77
June 2007	622	18	297	78
July 2007	621	22	301	76
August 2007	620	25	319	76
September 2007	619	26	305	78
October 2007	617	23	287	70
November 2007	616	25	277	55
December 2007	618	20	278	42
January 2008	612	20	289	71
February 2008	596	26	271	43
March 2008	604	25	271	51
April 2008	603	26	261	36
May 2008	606	23	264	38
June 2008	607	20	263	42
July 2008	598	30	263	47
August 2008	601	25	263	41
September 2008	595	28	267	48
October 2008	578	32	270	48
November 2008	574	32	276	68
December 2008	574	36	285	55
January 2009	564	30	292	64
February 2009	551	32	311	46
March 2009	567	21	294	50
April 2009	564	23	295	40
May 2009	566	19	306	46
June 2009	563	20	312	42
July 2009	562	21	305	55
August 2009	561	20	300	46
September 2009	555	23	333	46
October 2009	499	30	283	42
November 2009	493	29	337	105
December 2009				
January 2010				
February 2010				

(1) As referred to in Article 62 of Regulation (EC) No 1234/2007

(2) Average weighted by quantities

(3) Standard deviation weighted by quantities

Reference price for white sugar	
631,9 €/t	1 July 2006/ 30 Sept.2008
541,5 €/t	1 Oct.2008/30 Sept. 2009
404,4 €/t	from 1 Oct. 2009

Exports

EU sugar exports in MY 2009/10 are expected to amount to 2.2 million MT RSE. These sugar exports are almost exclusively for refined sugar. This is the result of large quantities of out-of-quota sugar exports, including an additional out-of-quota sugar export quota of 500,000 MT that was announced in Commission Regulation (EU) No 94/2010 [2] of February 3, 2010. This additional export quota is awarded by export licenses with only 30 days validity and is beyond the EU's WTO export limits for sugar because of the situation with world market sugar prices exceeding the EU's guaranteed internal market price. Also, some 150,000 MT of sugar were exported using MY 2008/09 export licences, which were valid through the end of December 2009. This high export level is driven by the large EU production. The main consumers of EU sugar are Israel, Algeria, Norway and Switzerland, and the Middle-East. This situation is not anticipated to be repeated again in MY 2010/11.

[1] http://trade.ec.europa.eu/doclib/docs/2010/march/tradoc_145896.pdf

[2] http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2010:032:0002:0003:EN:PDF

Stocks: EU sugar stocks at the end of MY 2008/09 were limited to commercial pipeline levels. However, the 2009 bumper crop is poised to push end of MY 2009/10 stocks up by over one million MT. Some 500,000 MT is expected to be declared by processors as carry-over for the MY 2010/11 production quota, lowering the amount of new production that can count towards the production quota. Although it is impossible to anticipate on the 2010 growing conditions, ending stocks for MY 2010/11 are forecast to decrease again by a similar amount.

Production, Supply and Demand Data Statistics:

EU27 Sugar, Centrifugal									
	2008/2009			2009/2010			2010/2011		
Market Year begin	October 2008			October 2009			October 2010		
	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post
Beginning Stocks	3,130	3,130	3,130	2,175	2,175	2,232	0	0	3,365
Beet Sugar Production	13,320	13,320	13,758	15,200	15,200	16,400	0	0	13,600
Cane Sugar Production [1]	250	250	256	285	285	283	0	0	285
Total Sugar Production	13,570	13,570	14,014	15,485	15,485	16,683	0	0	13,885
Raw Imports	2,665	2,665	2,605	2,900	2,900	2,900	0	0	3,300
Refined Imp.(Raw Val)	585	585	568	600	600	550	0	0	600
Total Imports	3,250	3,250	3,173	3,500	3,500	3,450	0	0	3,900
Total Supply	**19,950**	**19,950**	**20,317**	**21,160**	**21,160**	**22,365**	**0**	**0**	**21,150**
Raw Exports	5	5	8	5	5	10	0	0	10
Refined Exp.(Raw Val)	1,100	1,100	1,323	1,470	1,470	2,190	0	0	1,450
Total Exports	1,105	1,105	1,331	1,475	1,475	2,200	0	0	1,460
Human Dom. Consumption	16670	16670	16754	16,500	16,500	16,800	0	0	16,900

Other Disappearance	0	0	0	0	0	0	0	0	0
Total Use	16,670	16,670	16,754	16,500	16,500	16,800	0	0	16,900
Ending Stocks	2,175	2,175	2,232	3,185	3,185	3,365	0	0	2,790
Total Distribution	**19,950**	**19,950**	**20,317**	**21,160**	**21,160**	**22,365**	**0**	**0**	**21,150**

[1] A little cane sugar is produced in the French and Portuguese Overseas Territories only.

Author Defined:

Notes to the reader:

- In this report, all sugar is in raw sugar equivalent unless otherwise noted.
- The PSD in this report only pertains to sugar as defined by HS 1701. It hence excludes sugar beet production destined for fermentation or other industrial purposes.
- Conversion factors and methods used in this report after FAS reporting instructions:
  MY = marketing year; for sugar October- September
  Raw cane sugar = 1,07 X Refined cane sugar
  Raw beet sugar = 1,087 X White (refined) beet sugar

Sugar imports for EU inward processing purposes are excluded from this report's PSD as they are entirely re-exported as processed products. Inward processing is the EU program under which the import duties for dairy, sugar and starch containing commodities for processing and subsequent re-export are suspended when world market prices are lower than EU commodity prices.